

Message Text

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PAGE 01 COPENH 02750 200756Z

13

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TAGS: PINT ECIN DA

SUBJECT: PARLIAMENTARY MAJORITY ASSURED FOR GOVERNMENT'S
ECONOMIC PLAN

REF: COPENHAGEN 2729

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SUMMARY: CONSERVATIVE PARTY SUPPORT FOR THE GOVERNMENT'S TWO-YEAR ECONOMIC PLAN HAS ASSURED ITS PASSAGE TODAY IN PARLIAMENT AND AVERTED ELECTIONS. THE MOST CONTENTIOUS PART OF THE PACKAGE TO IMPLEMENT WILL BE THE SIX PERCENT ANNUAL CEILING ON WAGE INCREASES WHICH WILL PRESENT PROBLEMS TO THE PREDOMINANTLY SOCIAL DEMOCRATIC LEADERSHIP OF THE TRADE UNION FEDERATION. IN THE MANEUVERING LEADING TO THE NEW FIVE-PARTY COMPROMISE, THE CONSERVATIVES HAVE GAINED, AND THE LIBERALS LOST, POINTS WITH THE DANISH VOTERS. THE LIBERALS, HOWEVER, ARE THE ONLY PRESENTLY-VIABLE ALTERNATIVE TO A SOCIAL DEMOCRATIC GOVERNMENT AND HAD EARLIER CONCLUDED THEY HAD TO RETAIN THEIR FREEDOM OF ACTION. END SUMMARY.

1) EARLY THIS MORNING, AUGUST 19, THE CONSERVATIVE PARTY ACCEPTED ALMOST ALL OF THE TWO-YEAR ECONOMIC PLAN PROPOSED BY THE SOCIAL DEMOCRATIC GOVERNMENT AND ITS ALLIES AND THEREBY ASSURED A PARLIAMENTARY MAJORITY FOR IT. THE NINE SEATS OF THE CONSERVATIVES PLUS ONE INDEPENDENT MEAN THAT A ONE-VOTE MAJORITY (90 OF THE 179 SEATS) HAS BEEN OBTAINED.

2) THE SECOND AND THIRD READINGS OF THE GOVERNMENT'S PROPOSALS, TO BE HELD TODAY, DID NOT COME TO A VOTE LAST NIGHT WHILE CONSERVATIVE LEADERS HUDDLED WITH THEIR OPPOSITE NUMBERS IN THE SOCIAL DEMOCRATIC, CENTER DEMOCRATIC, RADICAL AND CHRISTIAN PARTIES IN ORDER TO ACHIEVE THE FINAL COMPROMISE. BARRING UNEXPECTED DEVELOPMENTS DURING TODAY'S VOTING, THE SPECIAL PARLIAMENTARY SESSION WILL ADJOURN BEFORE THE WEEKEND. FOLKETING WILL RECONVENE FOR ITS REGULAR SESSION ON THE FIRST TUESDAY OF OCTOBER.

3) THE GOVERNMENT ACCEPTED NONE OF THE CONSERVATIVES' MAJOR DEMANDS, NOTED IN REFTEL, BUT DID GIVE ON SOME OF LESS IMPORTANCE. THE EMBASSY WILL EXAMINE AND REPORT ON THE ECONOMIC CONSEQUENCES OF THE NEW MEASURES AS THEY ARE FINALLY PASSED AND PUBLISHED. NEWSPAPER REPORTS TODAY FORECAST THAT IMPLEMENTATION OF THE GOVERNMENT'S PROPOSALS WILL COST EACH DANISH TAXPAYER BETWEEN DKR 1100 LIMITED OFFICIAL USE

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AND DKR 1500 (ABOUT \$180-250) PER YEAR.

4) COMMENT: OF ALL THE GOVERNMENT PROPOSALS, THE SIX-PERCENT ANNUAL CEILING ON WAGE INCREASES WILL BE THE MOST CONTENTIOUS. THE EMPLOYERS ASSOCIATION IS PLEASED WITH THIS PART OF THE PACKAGE WHICH WILL TAKE THE HEAT OFF THEM IN THE BIENNIAL WAGE NEGOTIATIONS BEGINNING THIS FALL. THE COMMUNIST-CONTROLLED "CHAIRMAN'S

INITIATIVE" STAGED A DEMONSTRATION OF 20,000 WORKERS YESTERDAY OUTSIDE FOLKETING AT CHRISTIANSBORG PALACE AND INTEND TO USE THE SOCIAL DEMOCRATS' "SELLOUT" TO REGAIN GROUND LOST IN THE OVERALL DANISH TRADE UNION FEDERATION (LO) OVER THE LAST 18 MONTHS. IN PRESENT CIRCUMSTANCES, THOMAS NIELSEN AND THE LARGELY SOCIAL DEMOCRATIC LEADERSHIP OF THE LO WILL HAVE A DIFFICULT TIGHTROPE ACT TO PERFORM IN DISCHARGING THEIR PARTY LOYALTIES ON THE ONE HAND AND IN PROTECTING THEMSELVES AGAINST WORKER DISCONTENT AND ATTACKS BY THE "CHAIRMAN'S INITIATIVE" ON THE LEFT.

5. THE INTRODUCTION OF THE GOVERNMENT'S BUDGET AFTER THE OPENING OF THE FOLKETING'S REGULAR SESSION IN OCTOBER WILL PROVIDE ANOTHER OPPORTUNITY FOR THE DISPARATE OPPOSITION FORCES TO CHALLENGE THE ONE-VOTE MAJORITY THAT THE COMPROMISE REPRESENTS. SOCIAL DEMOCRATIC LEADERS, HOWEVER, ARE OPTIMISTIC THAT A SERIOUS THREAT OF NEW ELECTIONS HAS BEEN DEFERRED FOR THE NEXT YEAR.

6. THE CONSERVATIVES IN GENERAL AND PARTY LEADER POUL SCHLUTER IN PARTICULAR HAVE BEEN ABLE TO ACHIEVE FAVORABLE PUBLICITY BY PROVIDING A MAJORITY TO PREVENT ELECTIONS NO ONE WANTED. THE CONSERVATIVES - WHOSE POLITICAL FORTUNES HAVE BEEN A DECLINE OVER THE PAST FEW YEARS - ARE ALSO ABLE TO CLAIM THAT THEY OBTAINED A REASONABLE PRICE FOR THEIR PARTICIPATION IN THE NEW COMPROMISE.

7) POUL HARTLING'S LIBERALS, THE SECOND LARGEST PARTY IN THE FOLKETING, FOUND THEMSELVES IN AN UNENVIABLE PREDICAMENT. ON THE ONE HAND, THEIR PUBLIC IMAGE AND SUPPORT HAS BEEN AT LEAST TEMPORARILY UNDERMINED BY THEIR LIMITED OFFICIAL USE

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PAGE 04 COPENH 02750 200756Z

REFUSAL TO GO ALONG WITH THEIR TRADITIONAL ALLIES OF THE CENTER AND RIGHT. THEY HAVE ALSO ISOLATED THEMSELVES IN OPPOSING THE ECONOMIC PLAN WITH THE UNWANTED COMPANY OF THE THREE PARTIES OF THE FAR LEFT AND MOGENS GLISTRIP'S DISREPUTABLE PROGRESSIVES ON THE RIGHT. ON THE OTHER HAND, THE LIBERALS HAVE REAL PROBLEMS OF PRINCIPLE ABOUT SOME OF THE PACKAGE PROPOSALS AND SERIOUS PRACTICAL DOUBTS WHETHER THE ECONOMIC MEASURES PROPOSED WILL, IN FACT, BE EFFECTIVE TO DAMPEN SPENDING AND CORRECT THE FOREIGN PAYMENTS IMBALANCE.

8) WITH REASON, THE LIBERALS REGARD THEMSELVES AS THE ONLY PRESENTLY-VIABLE ALTERNATIVE TO THE SOCIAL DEMOCRATS TO FORM A DANISH GOVERNMENT. THEY CONSEQUENTLY DECIDED THEY MUST AVOID ASSOCIATION WITH THE PRESENT PROPOSALS

IN ORDER TO MAINTAIN FUTURE FREEDOM OF ACTION AND
CRITICISM.
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